



Department of Labor

**U.S. Department of Labor
Employee Benefits Security Administration**

**Fiscal Year 2007 Thrift Savings Plan
Fiduciary Oversight Program**

**Presentation
to the
Federal Retirement Thrift Investment Board
February 20, 2007**



Department of Labor

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Employee Benefits Security Administration TSP Fiduciary Oversight Program

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I. Overall Assessment for Fiscal Year 2006

- No instances of material non-compliance with FERSA came to our attention.
- Investment management of the TSP's index funds and the G Fund and actions taken during the July 1, 2002, and March 31, 2006, debt issuance suspension periods complied with FERSA.
- The Agency's most recently implemented call center (Clintwood) has demonstrated consistent operational practices that meet contractual performance standards in delivering service to TSP participants.
- Prior recommendations still open, but in remediation, include those addressing system security and recoverability issues.
- Common challenges for uniformed services so far reviewed include inconsistent TSP training for its reps and inconsistent communication of the TSP program to service members.



II. Summary of Significant Issues

- **Issues for TSP Fiduciaries' Consideration: System Security and Recoverability**
 - Update and approve the TSP Security Plan based upon the most recent risk assessment. Consider controls over contractors and controls for ensuring only authorized access and system changes. *
 - Conduct and document a risk assessment of the present disaster recovery site.
 - Update, finalize, and disseminate business continuity documentation. Train requisite personnel.*
 - Complete comprehensive service continuity testing of the TSP's disaster recovery site. *
- **Common Issues for Uniformed Services' Consideration**
 - Strengthen procedures that train and routinely update personnel responsible for TSP operations.
 - Publicize TSP effectively enough to reach all service members wherever stationed.

* Communicated at February 2006 Board Meeting.



III. Future EBSA Initiatives

- Assess system enhancements and software change controls related to the TSP recordkeeping system (initial audit).
- Review GAO's TSP operations for FERSA compliance (initial audit).
- Review CIA's separate TSP operations for FERSA compliance (last reviewed in FY 2003).
- Perform TSP recordkeeping process audits as funding permits (initial audits completed in FY 2004 and FY 2005).



IV. Scope of TSP Performance Audits

	<u>Plan 2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>EDP-Related Audits</u>					
1. System Enhancements and Software Change Controls	—	—	—	—	—
2. IT Hardware Operations Management/Mainframe	—	—	SP	—	—
3. Computer Access Control and Security	FS	—	—	—	—
4. Data Security Vulnerability Study	SP	—	—	—	—
5. Backup, Recovery, and Contingency Planning	—	SP	—	—	—
6. System Availability and Capacity Readiness/ TSP Capacity Planning	—	—	—	—	—
7. Post-implementation Review of New System	—	—	—	SP	—
<u>Process/Subsystem Audits</u>					
8. Account Maintenance	—	—	—	FS	—
9. Participant Support/Call Center Operations	—	SP(1)	SP(2)	FS(4)	—
10. Forfeitures	—	—	—	(3)	—
11. Interfund Transfers	—	—	—	(3)	—
12. Withdrawals	—	—	FS	—	—
13. Loan Operations	—	—	SP	FS	—

(1) Clintwood call center only

(2) Cumberland call center only

(3) Included in the Account Maintenance audit

(4) Included New Orleans call center

FS = Full Scope

LTD = Limited Scope

SP = Special Project

KPMG



IV. Scope of TSP Performance Audits (continued)

<u>Other Non-Agency TSP Activities</u>	<u>Plan 2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1. Treasury "G" Fund Investment Operations	-	FS	-	-	-
2. Investment Manager Operations ("F", "C", "S" and "I" Funds)	-	FS	-	-	FS
3. Annuity Operations	FS	-	-	FS	-
4. Board's Staff Operations	LTD	-	-	SP*	LTD
5. Review of CIA Office of Inspector General (OIG) TSP Audit	-	-	-	-	LTD
6. Review of Abandonment Policies	-	-	-	-	-
7. Detailed Analysis of Valid SSNs	-	-	-	-	-

* Review of customer service concerns and accounting for AMS settlement, only.

FS = Full Scope

LTD = Limited Scope

SP = Special Project



IV. Scope of TSP Performance Audits (continued)

	<u>Plan 2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002 and Prior</u>
<u>Uniformed Services</u>						
1. U.S. Marine Corps	—	—	FS	—	—	—
2. U.S. Army	—	FS	—	—	—	—
<u>Federal Agencies</u>						
3. Administrative Office of the U.S. Courts	—	—	—	—	—	R/LTD
4. Army - Aberdeen Proving Ground	—	—	—	—	—	LTD
5. Army - Defense Personnel Center	—	—	—	—	—	FS
6. Army - Fort Meade	—	—	—	—	—	LTD
7. Army - Fort Myers	—	—	—	—	—	R/FS
8. Bolling Air Force Base	—	—	—	—	—	FS
9. Defense Logistics Agency	—	—	—	—	—	FS
10. Department of Agriculture - NFC	—	—	—	—	—	R/FS
11. Department of Agriculture - Farm Service Agency	—	—	—	—	—	FS
12. Department of the Army - Corps of Engineers	—	—	—	—	—	R/FS
13. Department of Commerce	—	—	—	—	—	R/FS
14. Department of Energy	—	—	—	—	—	R/FS
15. Department of Health & Human Resources	—	—	—	—	—	LTD
16. Department of Housing and Urban Development	—	—	—	—	—	R/FS
17. Department of Interior - Denver	—	—	—	—	—	R/FS
18. Department of Justice	—	—	—	—	—	R/LTD
19. Department of Labor	—	—	—	—	—	R
20. Department of State	—	—	—	—	—	R/FS

FS = Full Scope

LTD = Limited Scope

R = Follow-up Review



IV. Scope of TSP Performance Audits (continued)

<u>Federal Agencies (continued)</u>	<u>Plan 2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002 and Prior</u>
21. Department of Transportation - Oklahoma	-	-	-	-	-	R/FS
22. Department of Veterans Affairs	-	-	-	-	-	R/FS
23. DFAS - Charleston and Army - Ft. Monmouth	-	-	-	-	-	FS
24. DFAS - Columbus and Defense Logistics Agency	-	-	-	-	-	FS
25. DFAS - Denver and North Island Naval Air Station	-	-	-	-	-	R/FS
26. DFAS - Pensacola and Naval Sea System Command	-	-	-	-	-	FS
27. Environmental Protection Agency	-	-	-	-	-	FS
28. Federal Bureau of Investigation	-	-	-	-	-	FS
29. Federal Deposit Insurance Corporation	-	-	-	-	-	FS
30. General Services Administration	-	-	-	-	-	R/FS
31. House of Representatives	-	-	-	-	-	R
32. Kelly Air Force Base - San Antonio	-	-	-	-	-	R/FS
33. NASA	-	-	-	-	-	FS
34. National Security Agency	-	-	-	-	-	LTD
35. Naval Publications and Forms Center	-	-	-	-	-	R/LTD
36. Naval Research Laboratory	-	-	-	-	-	R/FS
37. Naval - Supply Center, Norfolk	-	-	-	-	-	R/LTD
38. Navy - Atlantic Fleet	-	-	-	-	-	LTD
39. Navy - Norfolk Naval Shipyard	-	-	-	-	-	R/LTD
40. Navy Regional Finance Center	-	-	-	-	-	R/FS
41. Nuclear Regulatory Commission	-	-	-	-	-	FS
42. Postal Service	-	-	-	-	-	R/FS
43. Treasury (Includes IRS)	-	-	-	-	-	FS

FS = Full Scope

LTD = Limited Scope

R = Follow-up Review



V. Tentative Schedule of Fiscal Year 2007 TSP Audits

<u>Performance Audits</u>	<u>Work Begins</u>	<u>FRTIB Exit</u>
Computer Access Controls and Security	1/10/07	4/16/07
Security Penetration and Vulnerability Assessment	1/10/07	4/16/07
Annuity Operations	2/13/07	4/16/07
Board's Staff Operations	6/18/07	8/31/07



VI. Summary of Open Recommendations

<u>EDP-Related Audits</u>	<u>Controls</u>	<u>Fundamental Effectiveness</u>	<u>Efficiency/ Total</u>	<u>Prior to 2006</u>	<u># Open Originating</u>
1. System Enhancements and Software Change Controls	--	--	--	--	
2. IT Hardware Operations Management/Mainframe (2)	3	--	3	3	
3. Computer Access Control and Security	--	--	--	--	
4. Data Security Vulnerability Study	--	--	--	--	
5. Backup, Recovery, and Contingency Planning(1)	2	--	2	--	
6. System Availability and Capacity Readiness/TSP Capacity Planning and Performance Management	--	--	--	--	



VI. Summary of Open Recommendations (continued)

<u>EDP-Related Audits</u>	<u>Fundamental Controls</u>	<u>Efficiency/ Effectiveness</u>	<u>Total</u>	<u># Open Originating Prior to 2006</u>
7. Post-implementation Review of the New System (3)	1	--	1	1
<u>Process/Subsystem Audits</u>				
8. Account Maintenance (3)	--	1	1	1
9. Participant Support/ Call Center (1)	--	5	5	2
10. Forfeitures	--	-	--	--
11. Interfund Transfers	--	--	--	--
12. Withdrawals (2)	--	4	4	4
13. Loan Operations (2)	--	1	1	1



VI. Summary of Open Recommendations (continued)

<u>Other Non-Agency TSP Activities</u>	<u>Fundamental Controls</u>	<u>Efficiency/ Effectiveness</u>	<u>Total</u>	<u># Open Originating Prior to 2006</u>
1. Treasury "G" Fund Investment Operations	--	--	--	--
2. Investment Manager Operations - "F", "C", "S" and "I" Funds	--	--	--	--
3. Annuity Operations (3)	4	2	6	6
4. Board's Staff Operations	--	--	--	--
5. Review of CIA- OIG's TSP Audit	--	--	--	--
6. Review of Abandonment Policies	--	--	--	--
7. Detailed Analysis of Valid SSNs	--	--	--	--
Total Non-agency Recommendations	<u>10</u>	<u>13</u>	<u>23</u>	<u>18</u>

(1) The most recent report was FY 2006.

(2) The most recent report was FY 2005.

(3) The most recent report was FY 2004.



Department of Labor

Supplemental Information



A. Overview of the EBSA TSP Fiduciary Oversight Program

1. EBSA's TSP Fiduciary Oversight Responsibility

The Thrift Saving Plan (TSP) was authorized by Congress under the Federal Employees' Retirement System Act (FERSA) of 1986 (Public Law 99-335).

The Employee Benefits Security Administration (EBSA), through the statutory reference to the Secretary of Labor [5 USC 8477(g)], is responsible for establishing a program to carry out audits to determine the level of compliance with the requirements of FERSA relating to fiduciary responsibilities and prohibited activities of fiduciaries.



A. Overview of the EBSA TSP Fiduciary Oversight Program (continued)

2. EBSA's Approach to the Fiduciary Oversight Program

EBSA's TSP audit procedures are designed to comply with *Government Auditing Standards*, published by the Government Accountability Office (GAO), for conducting the following audits:

- Financial audits, including reviews of contracts/memoranda of understanding, internal control systems, computer-based systems, and related TSP transaction processing; and
- Performance audits, including economy and efficiency and program reviews.



A. Overview of the EBSA TSP Fiduciary Oversight Program (continued)

3. EBSA's Fiduciary Oversight Program

EBSA's program is designed to determine whether:

- The fiduciaries are acquiring, protecting, and using TSP resources economically, efficiently, and solely in the interest of TSP participants and beneficiaries;
- The fiduciaries have complied with FERSA and applicable laws and regulations;
- The TSP program activities, functions, and organization are cost effective and efficient; and
- EBSA's previous TSP recommendations have been adequately acted upon.



A. Overview of the EBSA TSP Fiduciary Oversight Program (continued)

4. Other Benefits:

Besides discharging the Secretary of Labor's statutory responsibilities for a TSP audit program, the EBSA Fiduciary Oversight Program provides the following benefits to TSP participants and beneficiaries:

- Certain audit assurances that their retirement assets are properly protected; and
- Potential opportunities for greater future cost savings through implementation of EBSA-identified enhancements to TSP system operations.



B. Examples of TSP Information Obtained for Each Audit

- Prior audit reports
- Organization charts
- Position descriptions
- Flowcharts
- Narratives describing work flows
- Descriptions of support systems
- Identification and evaluation of key TSP control points
- EBSA, Federal Retirement Thrift Investment Board members, and Agency management concerns



C. Uses of TSP Information Obtained from Each Audit

- Test internal controls
- Test TSP transactions and activities for compliance with applicable laws and regulations
- Conclude on the TSP fiduciaries' overall FERSA-related compliance
- Address EBSA, the Federal Thrift Investment Board, and Agency concerns, as practicable
- Provide input for Congressional testimony
- Update EBSA's TSP Fiduciary Oversight Program Manual



D. Audit and Report Process of Each TSP Fiduciary Compliance Audit

- Preliminary planning meeting(s)
- Entrance conference
- Completion of field work
- Agency's initial review of pre-exit conference draft report (or sections thereof)
- Exit conference
- Agency's 30 day technical review period of draft report
- Final report, forwarded to the Executive Director for formal written response to DOL EBSA
- The Executive Director's presentation of report and formal written response to DOL at scheduled meetings of the Board
- Summarized final report forwarded to DOL Deputy Assistant Secretary (Program Operations) for appropriate further action, if necessary
- DOL and contractors present significant findings and recommendations and next year's TSP audit plan annually at a scheduled Board meeting.



E. Overview of the TSP Performance Audit Objectives

EDP-Related Audits

- | | |
|---|--|
| 1. System Enhancements and Software Change Controls | Determine the adequacy of controls over: (1) project management practices, (2) enhancements to industry and control standards, and (3) changes to and deviations from authorized TSP software. |
| 2. IT Hardware Operations Management/Mainframe | Determine the adequacy of operational efficiencies and management effectiveness in scheduling, hardware operations management, and physical access to IT equipment and information. |
| 3. Computer Access Control and Security | Determine the adequacy of controls safeguarding computerized access to data and programs to prevent unauthorized use, modification, damage, or loss. |



E. Overview of TSP Performance Audit Objectives (continued)

EDP-Related Audits

- | | |
|--|--|
| 4. Data Security
Vulnerability Study | Determine the adequacy of controls to prevent unauthorized access to TSP files through use of the modem and the Internet. |
| 5. Backup, Recovery, and
Contingency Planning | Determine whether policies, procedures, and related controls are in place to restore TSP operations effectively and timely in the event of a disaster. |
| 6. System Availability
and Capacity Readiness/
TSP Capacity Planning | Evaluate controls that manage system availability and reliability risks applicable to TSP system software. |



E. Overview of TSP Performance Audit Objectives (continued)

EDP-Related Audits

- | | |
|---|--|
| 7. Post-implementation Review of the New System | Document the controls and operation of the new TSP System, and review the accuracy of the data conversion. |
|---|--|

Process/Subsystem Audits

- | | |
|-------------------------|--|
| 8. Account Maintenance* | Determine whether (1) participant account balances accurately record summary and detail contributions and earnings, (2) processing occurs timely, and (3) control procedures have been established and are in place for processing error corrections and breakage/lost earnings according to legal requirements. |
|-------------------------|--|



E. Overview of TSP Performance Audit Objectives (continued)

Process/Subsystem Audits

- | | |
|----------------------------|--|
| 9. Participant Support/CC* | Determine whether (1) TSP information remitted to the participant is accurate and timely, (2) participant inquiries are resolved properly and timely, and (3) confirmation and reject notices are processed accurately and timely. |
| 10. Forfeitures* | Determine whether participant forfeitures and forfeiture restorations are proper and accurate. |
| 11. Interfund Transfers* | Determine whether participant account balances accurately reflect "G", "F", "C", "S", "I" and "L" Fund balances as elected by participants. |



E. Overview of TSP Performance Audit Objectives (continued)

Process/Subsystem Audits

- | | |
|----------------------|---|
| 12. Withdrawals* | Determine whether procedures and controls are in place to ensure proper, accurate, and timely input, processing, disbursing, and recording of participant post-separation and in-service withdrawals. |
| 13. Loan Operations* | Determine whether procedures and controls are in place to ensure proper, accurate, and timely input, processing, and output of data. |

*These process performance audits include testing of the process's related application controls. This non-statistical testing determines whether the application controls over input, processing, and output are in place and functioning at the process level. Thus, conclusions on the operations at the process level are based on both automated and manual controls.



E. Overview of TSP Performance Audit Objectives (continued)

Other Non-Agency TSP Activities

- | | |
|--|--|
| 1. Treasury "G" Fund
Investment Operations | Determine whether the interest rate paid on "G" Fund investments is derived in accordance with FERSA and Agency requirements and whether the Treasury's application of the interest rate to "G" Fund investments is accurate. |
| 2. Investment Manager
Operations ("F", "C", "S"
and "I" Funds) | Determine whether (1) TSP transactions are processed accurately and timely, (2) investment management operations comply with FERSA, including conditions of applicable cross-trading and in-kind exemption conditions, (3) proxies of the "C", "S" and "I" Funds are voted in accordance with applicable fiduciary standards, and (4) the vendor is complying with provisions of the contract between the Agency and the vendor. |
| 3. Annuity Operations | Determine whether the vendor is processing TSP annuities in compliance with applicable FERSA provisions and TSP regulations. |



E. Overview of TSP Performance Audit Objectives (continued)

Other Non-Agency TSP Activities

- | | |
|--------------------------------------|---|
| 4. Board's Staff (Agency) Operations | Determine whether Agency policies and procedures comply with FERSA and provide for effective management control over daily TSP operations. This task includes reviews of the Agency's procurement practices and the Agency's EDP general control environment. |
| 5. Review of CIA OIG TSP Audit | Determine whether the CIA OIG TSP audit report and supporting workpapers comply with TSP audit objectives set forth in the DOL EBSA Fiduciary Oversight Program and with applicable interagency (e.g., DOL, CIA, and GAO) agreements. |



E. Overview of TSP Performance Audit Objectives (continued)

Other Non-Agency TSP Activities

- | | |
|------------------------------------|--|
| 6. Review of Abandonment Policies | Determine whether the policies and procedures relating to abandoned accounts protect the interest of former participants, and whether the Agency is using reasonable methods for locating “lost” participants. |
| 7. Detailed Analysis of Valid SSNs | Determine whether the TSP system contains invalid Social Security Numbers by matching the TSP system data against the Social Security Administration’s listing of valid SSNs and dates of birth. This procedure could identify invalid SSNs and use of SSNs of deceased individuals. |



E. Overview of TSP Performance Audit Objectives (continued)

Agency TSP Activities

- | | |
|-------------------------------------|---|
| 1. Agency/Uniformed Services Audits | Full Scope: Completion of all applicable TSP Fiduciary Oversight Program modules. |
| | Follow-up Review: Determine the status of prior EBSA recommendations. |